

The Credit Union Connection LOANS

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**The Credit Union Connection
LOANS**

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Alternatives Federal Credit Union

125 North Fulton Street
Ithaca, NY 14850
Phone: 607-273-4611
www.alternatives.org
Charter: 23283
Assets: \$51 million
Year Chartered: 1979

The following are examples of loan programs the credit union offers that are designed to address member needs for credit, including quick cash, unsecured business loans, and loans to non-profits.

Loans that Fund Quickly

The Opportunity Lending Program provides risk based consumer lending to members with poor credit histories. It makes credit available quickly, to as many members as possible, over a wide range of credit standings, at better rates than predatory lenders.

As part of the credit union's free tax preparation program, Refund Express Loans provide fast, affordable loans secured by tax refunds.

Loans to Non-Profits

Through its Community Partnership Loans Alternatives joins with community organizations to increase their capacity to make loans to their targeted groups and to increase lending to targeted communities, bringing lending services to hard-to-reach markets through partnerships with non-profits.

Archer Cooperative Credit Union

2121 Archer Road
Archer, NE 68816
Phone: 308-795-2204
www.archerccu.com
Charter: 66270
Assets: \$47 million
Year Chartered: 1984

Loan Programs for Rural, Agricultural Purposes

The credit union provides services to a rural community; therefore, they have designed programs for their membership. For example, the credit union offers both farm and ranch loans that provide annual operating lines of credit for equipment/cattle term loans to long-term real estate loans. The operating loans are typically one year renewable lines of credit for agricultural or business operating needs and most operating loans have variable rates priced with inventory, crops, livestock, and/or equipment as collateral. The credit union also

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offers members with an option to feed their own feeders at a custom feedlot or finance the purchase of feeders and feed. In addition to offering the preceding loan programs, the credit union supports 4-H and FFA (www.ffa.org) through their 6% project loans. The loan helps a youth have a project, provides a financial learning experience and the rate helps the project to be a profitable one. The credit union also has a partnership relationship with Farm Service Agency (FSA). Members beginning to farm can obtain a loan at a FSA reduced interest rate. To further promote their partnership with the community, the credit union promotes their services during the county fair.

Arkansas Federal Credit Union

P.O. Box 9
Jacksonville, AR 72078
Phone: (501) 982-1000
Website: <http://www.afcu.org>
Charter: 10920
Assets: \$609 million
Year Chartered: 1956

Military Appreciation Loan

The credit union's Military Appreciation Loan (MAL) was created as a solution to high interest rate, unsecured loans granted to military personnel. Typically those loans are granted by predatory lenders in the form of Cash Advance loans, Payday Loans, etc. The MAL grants military members an opportunity to break the cycle of high interest rates and questionable practices exhibited by predatory lenders.

The MAL allows members an advance up to the amount required to payoff existing absorbent interest rate loans. In addition, a Savings Alternative (a predetermined percentage of the initial advance) is added to the loan, above and beyond the initial payoff of the predatory loan. Typically the payoff is sent directly to satisfy the existing debt. This helps to ensure that the member does not revert to the financial habits that caused him/her to resort to such high-rate loans. For the same reason, the loan is not intended for cash-out transactions. The Savings Alternative is either deposited into a savings account and held for the life of the loan or used to open a certificate that matches the term of the loan.

The MAL gives military personnel a chance to deter a potentially dangerous financial trap, the predatory loan, while building their savings. This Savings Alternative could prove to be the lifeboat the member needs when future financial struggles arise.

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Central Minnesota Federal Credit Union

20 South 4th Avenue East

Melrose, MN 56352

Phone: 320-256-4269

www.centralmnfcu.org

Charter 24654

Assets: \$427 million

Year Chartered: 1939

The following are examples of loan programs the credit union offers that are designed to address member needs for rural, agricultural, and small business loans.

Loan Programs for Rural, Agricultural Purposes

Rural Finance Authority (RFA) Program: The credit union's business lending staff work with members involved within the agricultural industry to complete applications and share program information. The variety of programs offered by the RFA assists producers at various stages of operation, including start-up and expansion, and financial restructure. Applicants that are accepted into various programs receive reduced interest rates on a specified portion of outstanding loan balances and flexible amortization schedules. These benefits help the producers to improve their financial position and maintain a strong relationship with the credit union.

Farm Service Agency (FSA) and other rural loan programs: The credit union works very closely with members involved or applying for programs offered by the FSA. Members receive assistance gathering and presenting required financial and historical information to complete loan applications. FSA loans are often provided to start-up farmers who do not qualify for conventional loans due to insufficient financial resources. FSA programs also help established farmers who have suffered financial setbacks from natural disasters, or whose resources are too limited to maintain profitable farming operations.

Producers also benefit from the U.S. Department of Agriculture's (USDA) Guaranteed Loan and Direct Loan Programs that offer interest assistance and favorable repayment terms. The credit union is given an USDA guarantee that it will receive payment on up to 95 percent of outstanding, qualified loan balances. These programs have proven to maintain a strong working relationship with members by improving their financial position.

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Business Loans

Small Business Administration (SBA): The credit union has been a SBA certified lender since 1996. The credit union assists the member in completing SBA applications by gathering and presenting the required financial and historical information. SBA loans are often provided to start up businesses who do not qualify for conventional loans due to insufficient financial resources or to businesses that possess specialized types of equipment that will be used as collateral.

Through participation in the SBA loan program, the credit union is able to offer SBA 7a and SBA Express Guaranteed Loans to its members. The 7a Guaranteed Loan serves as the SBA's primary business loan program to help qualified small businesses obtain financing when they might not be eligible for business loans through normal lending channels. Loan proceeds can be used for most sound business purposes including working capital, machinery and equipment, furniture and fixtures, land and building (including purchase, renovation and new construction), leasehold improvements, and debt refinancing (under special conditions). The credit union will receive payment on 75 percent of outstanding, qualified loan balances with the Guaranteed Loan Programs.

The credit union also offers SBA 504 Loans which provides long-term, fixed-rate financing to small businesses to acquire real estate or machinery or equipment for business expansion or modernization. Typically a 504 project includes a loan secured from the credit union with a senior lien, a loan secured from a CDC (funded by a 100 percent SBA-guaranteed debenture) with a junior lien covering up to 40 percent of the total cost, and a contribution of at least 10 percent equity from the borrower.

Corporate America Family Credit Union

2075 Big Timber Road
Elgin, IL 60123
Phone: (847) 214-2031
www.cafcu.org
Charter: 68215
Assets: \$556 million
Year Chartered: 1997

Loans that Fund Quickly

The Quick Cash Program is designed to be fast and easy for members to receive a loan. Any member age 18 or over with Direct Deposit or Payroll Deduction is eligible for the loan. Members are granted a \$500, \$1,000 or \$1,500 line of credit dependent upon their credit score. A \$75 payment is established for repayment. There is a \$35 one time application fee and the loan carries an interest rate within the state regulations. All member service staff is certified to grant these loans. Members can access the line at a branch, via audio response or internet

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banking. It can also be used as an overdraft protection loan. The program was launched on April 1, 2003. In the first five months of the program, the credit union granted over 2,300 Quick Cash loans with balances totaling \$3 million.

Crow Wing Power Credit Union

P.O. Box 962
Brainerd, MN 56401
Phone: 218-829-2827
www.cwpcu.org
Assets: \$38 million
Year Chartered: 1999

Residential Mortgage Program

The credit union's membership is located in the Brainerd Lakes vacation area. The credit union designed a real estate loan program for members wishing to refinance the mortgage against their cabin.

Express-News Federal Credit Union

P.O. Box 2171
San Antonio, TX 78297
Phone: 210-250-3081
www.enfcu.org
Charter: 15973
Assets: \$7 million
Year Chartered: 1963

Loans for Large, Unexpected Expenses and Emergencies

The credit union offers Emergency Payroll Advance Loans, which are payroll advances used to pay for unexpected expenses such as medical bills, funeral expenses and to help other family members. The loans were first offered in 1999. That year 23 members used the program instead of relying on nontraditional payday lenders. Member participation in the program has increased every year; the credit union's income averages \$600 per year.

First South Credit Union

6471 Stage Road, Suite 201
Bartlett, TN 38134
Phone: 901-380-7400
www.firstsouth.com
Charter: 68084
Assets: \$308 million
Year Chartered: 1993

Low Closing Cost Mortgages

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The credit union began its no closing cost mortgage program over 15 years ago, starting with a 10 year fixed rate product. This program was an overwhelming success and since then the credit union has added three ARM programs and three balloon programs. Members choosing one of these programs for financing or refinancing their home do not pay any points, fees or closing costs. Should the member refinance the loan before the 12th payment, they are required to pay back a prorated portion of the costs. This requirement is clearly explained and disclosed at each closing. The only time members pay closing costs on these programs is if the member chooses to refinance his or her existing credit union mortgage loan. Only the fees for services and documents required to refinance the loan are charged. The credit union's mortgage program can save members approximately two percent of the loan amount if they choose one of the credit union's no point, fees or closing costs options.

Fort Campbell Federal Credit Union

2050 Lowe's Drive
Clarksville, TN 37040
Phone: 931-431-6800
www.fccu.org
Charter: 09759
Assets: \$239 million
Year Chartered: 1954

Residential Mortgage Program for Military Personnel

The Home Front Mortgage Program is designed to help active duty military personnel stationed at Fort Campbell buy houses in Tennessee or Kentucky by eliminating down payments and other factors that may impede the home-buying process. The credit union is offering loans that act like Veterans Administration (VA) loans, but are conventional mortgage loans with underwriting guidelines that mirror VA. The loans can be financed up to 100 percent; private mortgage insurance is required. If the borrower wants to put a down payment on the home they may borrow the down payment or receive it as a gift, if they don't already have the funds. Fannie Mae committed \$5 million to purchase these mortgages originated by the credit union. Any of these loans that are granted to first-time home buyers require the member to go through homeownership counseling provided by Affordable Housing Resources, a non-profit housing organization. The counseling can be done at any time as long as it is completed by the time the loan closes.

Langley Federal Credit Union

721 Lakefront Commons, Suite 400
Newport News, VA 23606
Phone: 757-827-7200
www.langleyfcu.org

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Charter: 1261
Assets: 1.2 billion
Year Chartered: 1936

QuickCash - A Smart Alternative to Payday Lenders

Langley Federal Credit Union (LFCU) offers an increasingly popular loan option that provides money for members until their next paycheck. A typical 15 percent fee on money borrowed from a payday lender is often the equivalent of an annual percentage rate that could range anywhere from 180% to 780%, depending on the payback period. The credit union offers a better solution - LFCU's QuickCash.

This loan is a clever alternative to Payday Lenders' loan programs and it features the quick turnaround members need and an 18 percent APR. That translates into huge savings. For example, members usually pay \$75 to borrow \$500 for two weeks from a payday loan company. That \$75 fee translates into an annual percentage rate of about 390%. Members that receive a \$500 **QuickCash** Loan at 18% APR from LFCU pay only \$3.48 in interest over a two week period.

The program launched in July of 2004 and as of May, 2008, Langley FCU had processed approximately 33,000 loans and disbursed nearly \$20,000,000. Based on these numbers, LFCU has estimated that it has saved members over \$2,000,000 in fees that they would have otherwise paid had they borrowed from a payday lender.

Northeast Community Federal Credit Union

683 Clay Street
San Francisco, CA 94111
Phone: 415-434-0738
www.necfcu.org
Charter: 23780
Assets: \$8 million
Year Chartered: 1981

Grace Loans

Because of the sluggish economy, the position of predatory lenders and check cashiers has become more attractive among those who can least afford the charges since they provide quick credit and check cashing services to the lowest income segments who cannot qualify for mainstream credit and banking services. Predators thrive by maintaining the dependency of those who are most vulnerable to their ease of convenience, often charging rates upward of 200 percent for their services. The delivery of affordable lifeline financial services, such as grace loans, to the neediest and most disadvantaged segments is as important as ever with the emergence of predatory service providers who take advantage of the vacuum in affordable financial services.

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“Fresh Start” loans are share-secured loans that enable the borrower to repair his/her credit and establish a regular pattern of savings. The amount borrowed is deposited and frozen in the member’s account for the term of the loan. A member makes regular monthly payments (principal +interest) to the credit union to pay off the loan. When the loan is paid off the member will have the entire amount of the loan plus interest earned on shares in his/her account. If the loan is paid off successfully, the credit union will report this information to the credit bureau.

Reliant Community Credit Union

(formerly W.C.T.A. Federal Credit Union)

10 Benton Place

Sodus, NY 14551

Phone: 315-483-6936

www.reliantcu.com

Charter: 20258

Assets: \$245 million

Year Chartered: 1970

Partnering to Provide Residential Mortgages

The credit union has partnered with the State of New York Mortgage Agency (SONYMA) to offer affordable mortgage loans to first-time home buyers. The SONYMA Partnership Program features low down payment requirements, flexible underwriting requirements, extended interest rate lock-in periods, and closing cost assistance. As part of this program, the member is required to complete a financial education course through a SONYMA approved vendor. Loans for one to four family dwellings, condominiums, cooperative apartments, as well as manufactured homes permanently attached to real property are allowed in this program. The member must meet certain income requirements. This partnership allows more members to access affordable mortgage loans.

SELCO Community Credit Union

P.O. Box 7487

Eugene, OR 97401

Phone: 541-686-8000

www.selco.org

Charter: 63196

Assets: \$719 million

Year Chartered: 1936

First Time Auto Buyer Program

This program provides prospective borrowers a brief online course to learn the basics of understanding credit. They test their knowledge by taking a short credit

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quiz. By completing the quiz, prospective borrowers may be eligible for a lower interest rate on their first SELCO auto loan by 0.20 percent. Contact the lending director for more information.

State Employees' Credit Union

P.O. Box 27665
Raleigh, NC 27611-7665
Phone: 919- 857-2150
www.ncsecu.org
Charter: 66310
Assets: \$16 billion
Year Chartered: 1937

Salary Advance Loan (SALO)

The credit union began offering its payday loan alternative in 2001 after noticing an increased use of payday loans by its members. The SALO is a revolving loan, with a maximum outstanding balance of \$500, offered at an APR of 12 percent. Thus, on a \$500, two-week loan, the charge is less than \$2.50. SALOs must be repaid in full on the borrower's next payday through automatic deduction. To qualify for the loan, applicants must have their paycheck direct deposited into their credit union account and must not be in bankruptcy. Applications can be made online.

An innovative feature of the product is a forced savings component, which requires that 5 percent of each advance be placed in a special savings account. The account is unrestricted, but if the member withdraws savings the member cannot access a SALO for six months. This provides the member with an incentive to save which results in reducing their reliance on borrowing.

Since the program's inception, approximately 100,000 members have used the SALO product. As of February, 2008, the credit union has made more than \$1 billion in SALO advances, and has saved its members over \$145 million compared to the cost of typical payday loans. The forced savings component has also resulted in over \$14 million in new deposit funds. The savings feature is popular with members, many of whom report that this is the first time in their lives they have had any significant savings.

Washington Educational Association Federal Credit Union

308-11th Avenue
Franklinton, Louisiana 70438
Phone: 985-795-1108
<http://weafcu.cuweb.org/>
Assets: \$904,000
Year Chartered: 1964

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Loans that Fund Quickly

The Washington Educational Association FCU's has been successful in offering the back-to-school loans to all of its members yearly for the last ten years. This loan is made available regardless of the member's present financial obligation to the credit union. In other words, a member's credit score or present types of loans are not factors in being eligible for the back-to-school loan.

This practice affords all members the opportunity to borrow up to \$1,000.00 with a maximum term of twelve months for repayment. The interest rate is the same for all applicants. This loan has made it easier for the credit union's members to secure the necessary uniforms and other school supplies for their children. In addition, members have also been able to furnish their personal classrooms and even pay tuition for themselves or other family members.

Approximately 40 percent of the membership has taken advantage of the practice. This loan is made available 30 days prior to the opening of school in the parish to allow sufficient time for members to secure their supplies.

This practice has been so successful that members constantly thank the management for this opportunity. One of the members stated, "The loan has always been a great help. The overwhelming cost of supplies, uniforms, and school fees are greater each year. The back-to-school loan has helped me several years to meet the needs of my children going back to school."

The credit union makes available approximately \$100,000.00 annually for the back-to-school loan. The credit union has been able to realize an income of approximately \$100.00 per loan made.